

Voluntary Report - public distribution

Date: 9/20/2002

GAIN Report #CA2113

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 33

2002

Approved by:

Gary S. Groves

U.S. Embassy

Prepared by:

George C. Myles, Matthew A. Cahoon

Report Highlights:

"What's New, Eh?" * Canadian Pork, Poultry Meat and Seafood Sectors to Benefit from Access to Russia *

U.S. Competition Cited as Canadian Chicken Exports to Cuba Fall * Interim Tariff on Wheat Exports to

U.S. 'Strong Possibility' Says CWB * Drier Weather Allows Saskatchewan Combining to Progress *

Canada Still Holds Trade Surplus with U.S., Ag Exports Increase * Canada Launches New WTO

Challenge of U.S. Lumber Dumping Determination * B.C. Government Funding to Strengthen Value-added Sector

* Ontario Man Dies from West Nile Infection

... and MORE!

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

PORK, POULTRY MEAT AND SEAFOOD SECTORS TO BENEFIT FROM SECURED MARKET ACCESS TO RUSSIA, SAYS VANCLIEF: Following a visit to Russia in September 2002, federal agriculture minister Lyle Vanclief announced Russian acceptance of Canada's recommended list of pork exporting facilities, and confirmation of export certification requirements for Canadian pork, poultry meat and seafoods. "Russian acceptance of our recommendation is a clear indication of its confidence in Canada's health standards and food safety systems," said Vanclief. Russia is Canada's fourth largest poultry export market. Vanclief touted Canada's Agricultural Policy Framework, whereby Canada is aiming to be recognized as the world leader in food safety and food quality, as well as in environmentally responsible production and innovation. Last year, two-way Canada-Russia agri-food trade totaled nearly C\$90 million. Russia was Canada's fifth largest pork market in 2001, the fourth largest market for poultry and ranks 22nd as a market for Canadian seafood.

U.S. COMPETITION CITED AS CANADIAN CHICKEN EXPORTS TO CUBA FALL: Canada's chicken exports to Cuba fell sharply in the first six months of 2002, down almost 40% from last year's pace when Canada exported 16,764 metric tons of chicken to the Caribbean country. In a recent *National Post* story, the Chicken Farmer's of Canada, the national body representing Canadian broiler chicken producers, blames the decline on competition from U.S. poultry exports following the enactment of certain exceptions from U.S. sanctions legislation for U.S. agricultural and medical exports to Cuba. However, recent trade data shows that much of the decline in Canadian chicken exports to Cuba in the first six months of 2002 was offset by increased exports of Canadian chicken to Russia and to the United States. For further information on production and trade developments in the Canadian chicken industry, see the Annual Poultry Report, CA2112 and for further information on U.S. trade restrictions to Cuba, see the FAS website at: <http://www.fas.usda.gov/itp/cuba/cuba.html>

INTERIM TARIFF ON CANADIAN WHEAT EXPORTS TO U.S. "STRONG POSSIBILITY" SAYS CWB: According to an article from the *Canadian Press* picked up by the September 17 edition of the *Globe and Mail*, the U.S. government could impose a temporary tariff on Canadian wheat exports while it investigates allegations of dumping and unfair pricing activities (initiated by the North Dakota Wheat Commission), says a Canadian Wheat Board (CWB) spokesperson. If U.S. trade authorities launch an investigation, the spokesperson said there is a strong possibility they could impose a duty on Canadian wheat until the government renders a permanent judgment. The spokesperson said the CWB, which has a monopoly on the buying and selling Western Canadian wheat and barley, is confident it will be exonerated in the long run, and called the petition "continuing harassment" of the CWB. In February, U.S. Trade Representative Robert Zoellick ruled the Canadian wheat industry is subsidized and puts U.S. wheat exporters at a disadvantage. Although Mr. Zoellick refused to impose any tariffs in his February ruling, he suggested pursuing anti dumping and countervailing duties as part of a four-pronged approach to remedy the actions of the CWB. On Sept. 13, the North Dakota Wheat Commission followed up on Mr. Zoellick's suggestion and filed the petitions with the U.S. Department of Commerce and the International Trade Commission. Of the 18 to 20 million tonnes of wheat that Canadian farmers produce in an average year, Canada exports about 1.6 million tonnes of spring and durum wheat into the U.S. annually. This year, however, wheat production has been devastated by a crippling drought in Saskatchewan and Alberta. The CWB spokesperson said this could allow the wheat board to concentrate its marketing efforts on other countries if the U.S. does decide to impose any tariffs.

DRIER WEATHER ALLOWS SASKATCHEWAN COMBINING TO PROGRESS: According to Saskatchewan Agriculture, Food and Rural Revitalization's latest weekly crop report, a warmer, drier week allowed Saskatchewan farmers to get some combining done. It is reported that 29% of the crop has been combined, and a further nine percent is being used for alternative uses, including livestock feed. Last year, 90% of the crop had been combined while the five-year (1997-2001) average is 72%. In the southern grainbelt, combining is 37% complete, with up to 48% complete in the southwest. The central grainbelt reports 28% combined, with up to 31% complete in east central areas. The northern grainbelt has 23% combined, with up to 30% combined in the northeast. With 29% of the

spring wheat crop harvested, grade quality continues to be reported as well below average. Of the spring wheat harvested thus far, 13% is expected to grade No. 1 Canada Western, compared to a 10-year average of 52%. Crop reporters continue to comment on damage from the August frost and recent wet weather. Damage includes light weight crops, bleaching, staining, moulding, and sprouting. The main sources of crop damage during the past week were insect damage and strong winds. Frost in some areas in the latter part of the week may have caused damage to immature crops. Some seeding of fall crops is underway, though grasshoppers are hampering progress in the southwest.

SASKATCHEWAN AND MANITOBA PUSH FOR ETHANOL: According to the September 18 edition of *Good Morning Ontario*, Manitoba and Saskatchewan subsidize ethanol production and both provinces would like to force all Canadian gas stations to sell the blend. "It's one (method) to allow us to reduce greenhouse gas emissions and meet Kyoto targets," said Greg Selinger, Manitoba's minister of finance. The matter currently in discussion at a meeting of provincial energy ministers. Some critics say ethanol isn't the answer. Although it releases fewer pollutants into the air than gasoline, manufacturing it causes pollution that may offset its benefits. The federal energy minister says he would like all the provinces to consider the proposition put forth by Saskatchewan and Manitoba.

CANADA STILL HOLDS TRADE SURPLUS WITH U.S., AG EXPORTS INCREASE:

Canadian merchandise exports recorded their largest gain in more than a year in July, as a result of a surge in exports to the United States. Exports jumped 3.4% to C\$34.9 billion, the highest level since May 2001, in the wake of growth in all principal commodity groups. The entire gain in exports came as a result of a 4.2% increase to the U.S. The forestry products sector alone regained more than a quarter of the value it lost in June in exports to the U.S. The forestry products sector regained more than a quarter of the value lost in June, following the first full month of anti-dumping and countervailing duties on softwood lumber exports to the United States. Exports of forestry products rose 4.1% to C\$2.9 billion in July after declining 12.9% in June. Exports of lumber - mainly spruce, pine and fir - rose 16.0% to C\$753.3 million. While US housing has softened over the past few months, housing is still relatively strong compared with previous years. This resulted in steady demand for Canadian softwood lumber. Newsprint and other paper and paperboard products exports held steady through May, June and July. Exports fell only slightly to C\$1.1 billion in July. Agriculture and fishing products increased 2.1% to C\$2.6 billion mainly because of the strength of exports of fish, barley and meat products. Drought conditions and the prohibitive cost of feed in the Prairies have forced the premature slaughter of livestock, especially cows over 320 kilograms. Cattle slaughter through May, June and July was at historic levels. Consequently, meat and meat preparations exports rose 3.3% to C\$405.6 million. A lack of available wheat and canola drove down the export of these grains. Barley, used primarily in the production of beverages, jumped in response to demand from the United States, Asia, South America and Africa. Imports of agricultural and fishing products climbed 6.2% to C\$1.9 billion, as a result of increases in fresh fruit and vegetables (+6.6% to C\$531.8 million) and other agricultural and fishing products (+6.0% to C\$1.4 billion). The largest increase (+62.9% to C\$80.0 million) was for corn used as cattle feed on drought-stricken farms in western Canada.

CANADA LAUNCHES NEW WTO CHALLENGE OF U.S. LUMBER DUMPING

DETERMINATION: International Trade Minister Pierre Pettigrew announced on September 13 that Canada has requested consultations with the United States at the World Trade Organization (WTO) regarding the U.S. Department of Commerce's Final Determination of Dumping for duties on softwood lumber exports to the U.S. "We are challenging the United States dumping determination and other unwarranted U.S. measures, and we will continue to do whatever it takes to defend the interests of Canada's softwood lumber industry," said Pettigrew. The Government of Canada has pointed out, in its opinion, that the U.S. final dumping determination is inconsistent with the Anti-dumping Agreement, the General Agreement on Tariffs and Trade of 1994, and U.S. obligations under these agreements. The request for consultations is the first step in the process for a WTO Dispute Settlement Understanding. Following consultations, Canada may ask for the establishment of a WTO panel to determine whether the U.S. Department of Commerce decision to impose anti-dumping duties on Canadian lumber in May 2002 conforms with U.S. WTO obligations. In cooperation with industry and the provinces, Canada is pursuing all legal avenues available to challenge the U.S. actions. These include NAFTA Chapter 19 binational reviews and WTO challenges of the determination of subsidy, the determination of dumping and the determination of injury.

B.C. GOVERNMENT FUNDING TO STRENGTHEN VALUE-ADDED SECTOR: The British Columbia (B.C.) provincial government has awarded C\$3.2 million in grants under the Forest Investment Account for international marketing and product development to help strengthen B.C.'s value-added sector and create new jobs, Forests

Minister Michael de Jong announced on September 13. "With this announcement, we're delivering on two New Era commitments," said de Jong. "We're applying revenue to the global marketing of B.C.'s forest practices and products, and we're doing so through a fair and open tendering process." Eight projects in the value-added sector will receive funding under the Forestry Innovation Investment program of the Forest Investment Account. These international marketing programs and product development projects are cost-shared with industry groups. The investments are part of the C\$20-million fund for forest-sector diversification and international marketing launched in March, 2002. Funding for projects in the primary sector, as well as another C\$20 million for applied research projects, will be announced at a later date.

ONTARIO MAN DIES AFTER WEST NILE INFECTION: According to the September 17 National Post, a 70-year-old Mississauga man infected with the West Nile virus died in hospital during the weekend, reported health officials. Health officials, who have now confirmed that the elderly man died because of contracting West Nile, say this is the first time someone who contracted West Nile in Canada has died from it. (An elderly Ontario man died three years ago after contracting the virus in New York City.) The victim, admitted to hospital in late August, was one of three men confirmed to be infected with West Nile. The other two are resting at home, officials say. Another 14 cases in Ontario and several more in Quebec are suspected. Carried by birds, the infection is transferred to humans through mosquito bites. Doctors believe the man was bitten by a mosquito in or around Mississauga, Ontario. Health authorities in Ontario have expressed shock at how rapidly the virus is spreading in central Canada.

QUEBEC DAIRY ACCUSES PARMALAT OF INTIMIDATION: According to the September 18 edition of *Good Morning Ontario*, Quebec dairy co-operative Agrinove is accusing Parmalat of intimidation after the Italian-based multinational filed a lawsuit against the Quebec company for alleged breach of copyright. The \$4-million suit is directed at a new line of processed Agrinove milk, cream and milk drinks under the label Grand Pre officially launched August 7 in Quebec. Parmalat alleges trademark violation as well as copyright infringement in terms of design and packaging on the cartons. They feature cows and rolling hills, which Parmalat claims is too close to the artwork on its own milk cartons.

Did You Know ...that Canadian companies sent C\$29.7 billion in goods to the U.S. in July, accounting for 85% of total exports while imports from the U.S. rose 1.6% to C\$21.5 billion? Consequently, Canada's trade surplus with the U.S. reached C\$8.2 billion, up C\$854 million.
(Source: Statistics Canada)

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2112	Poultry Annual	09/17/02
CA2111	This Week in Canadian Agriculture, Issue 32	9/12/2002

VISIT OUR WEBSITE: The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto www.usembassycanada.gov; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: info@usda-canada.com.